



ZIEGLER CHEMICAL & MINERAL CORP.

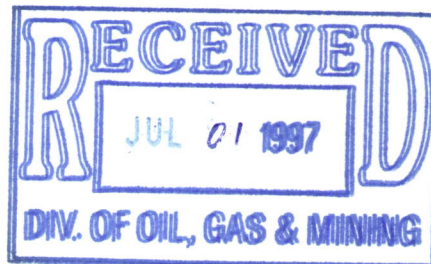
100 JERICO QUADRANGLE, JERICO, NEW YORK 11753

TEL: 516-681-9600

FAX: 516-681-9604

m/047/013

June 26, 1997



Mr. Anthony A. Gallegos
Senior Reclamation Specialist
State of Utah
Dept. of Natural Resources
Div. of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, UT 84114-5801

Dear Tony:

Re: Reclamation Surety Update, Ziegler Chemical & Mineral Corp.
("Ziegler"), Ziegler Gilsonite Operations, M/047/103, Uintah County, Utah
013

Enclosed please find the completed Surety Bond and Reclamation Contract for the above referenced lease.

Please return the Fleet Letter of Credit and the old bond to my attention at the above address.

Sincerely yours,

ZIEGLER CHEMICAL & MINERAL CORP.

William J. Hyland
Vice President - Finance

WJH:lz
Enc.

Effective Date July 15, 1997

516-681-9600

"OPERATOR'S REGISTERED AGENT":

(Name)

McKeachnie & Allred

(Address)

Gayle F. McKeachnie

363 East Main

Vernal, UT 84078

(Phone)

801-789-4908

"OPERATOR'S OFFICER(S)":

Gordon Ziegler, Jr./President

William Hyland/VP-Finance

Norman Haslem/Manager/Vernal, UT office

"SURETY":

(Form of Surety - Attachment B)

Reclamation Bond (Surety Bond)

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Frontier Insurance Company

"SURETY AMOUNT":

(Escalated Dollars)

\$126,600

"ESCALATION YEAR":

2002

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Ziegler Chemical the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/047/013 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated July 14, 1986, and the original Reclamation Plan dated July 14, 1986. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance

with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the

parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

ZIEGLER CHEMICAL & MINERAL CORP.

Operator Name

By: GORDON S. ZIEGLER, JR.

Authorized Officer (Typed or Printed)



Authorized Officer's Signature

6/12/97
Date

=====

SO AGREED this 15th day of July, 1997

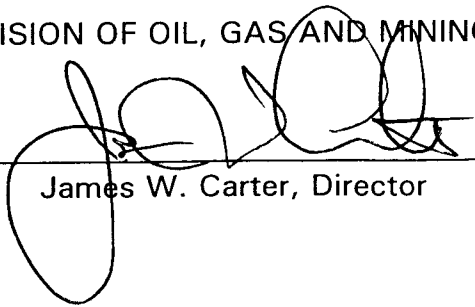
AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY 

Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By


James W. Carter, Director

Date

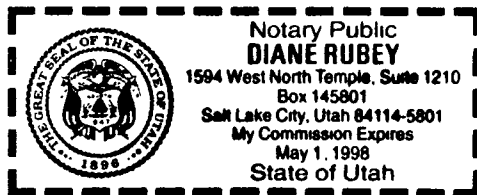
July 15, 1997

STATE OF Utah)

) ss:

COUNTY OF Salt Lake)

On the 15th day of July, 19 97, personally appeared before me James W. Carter, who being duly sworn did say that he she, the said James W. Carter is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he she duly acknowledged to me that he she executed the foregoing document by authority of law on behalf of the State of Utah.

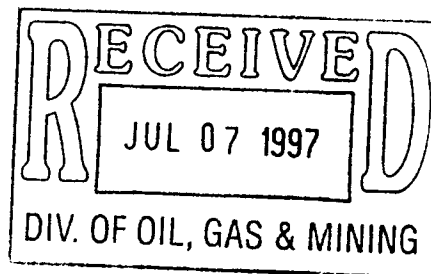


Diane Rubey
Notary Public
Residing at: Salt Lake City, Utah

My Commission Expires: _____

OPERATOR:

ZIEGLER CHEMICAL & MINERAL CORP.
Operator Name



By GORDON S. ZIEGLER, JR.
Corporate Officer - Position PRESIDENT

JUNE 12, 1997
Date

[Signature]
Signature

STATE OF NEW YORK)
COUNTY OF NASSAU) ss:

On the 12TH day of JUNE, 19 97, personally
appeared before me GORDON S. ZIEGLER, JR. who being by
me duly sworn did say that he/she, the said GORDON S. ZIEGLER, JR.
is the PRESIDENT of ZIEGLER CHEMICAL & MINERAL CORP.
and duly acknowledged that said instrument was signed on behalf of said company
by authority of its bylaws or a resolution of its board of directors and said
GORDON S. ZIEGLER, JR. duly acknowledged to me that said
company executed the same.

BRIAN LYNCH
NOTARY PUBLIC, State of New York
No. 01LY4613944
Qualified in Nassau Co
Expires January 1999

[Signature]
Notary Public
Residing at: 90 Long Dr
Hempstead NY

My Commission Expires:

ATTACHMENT "A"

Ziegler Chemical & Mineral Corp.
Operator

Ziegler Gilsonite Mines
Mine Name

M/047/013
Permit Number

Uintah County, Utah

The legal description of lands to be disturbed is:

<u>Name</u>	<u>Legal Description</u>	<u>Acres</u>
Independent 3	T9S, R24E, Sec. 16: SE1/4 of NE1/4	1.38
Independent 4	T9S, R24E, Sec. 16: SW1/4 of NE1/4	1.41
Independent 5 (ML851A)	T9S, R24E, Sec. 16: NW1/4 of NE1/4	1.20
Little Bonanza 3	T9S, R24E, Sec. 16: SW1/4 of SE1/4	1.14
Little Bonanza 8	T9S, R24E, Sec. 16: SE1/4 of SE1/4	1.00
Little Bonanza 8A	T9S, R24E, Sec 15: SW1/4 of SW1/4	1.00
Little Bonanza 11	T9S, R24E, Sec. 22: NE1/4 of NW1/4	1.01
Little Bonanza 12	T9S, R24E, Sec. 22: NE1/4 of NW1/4	1.51
Little Emma 1	T9S, R24E, Sec. 30: SE1/4 of SE1/4	1.10
Cottonwood 1 & 2	T10S, R21E, Sec. 29: NE1/4 of SE1/4	1.24
Cottonwood 3	T10S, R21E, Sec. 29: SW1/4 of NW1/4 and T10S, R21E, Sec. 30: SE1/4 of NE1/4	1.50
Cowboy Federal #1	T8S, R21E, Sec. 33: SW1/4 of SW1/4 of SE1/4	3.30
Z1-95-1	T9S, R24E, Sec. 16: NE1/4 of NW1/4 of NW1/4	4.55
		<u>21.34</u>

Processing Facilities:

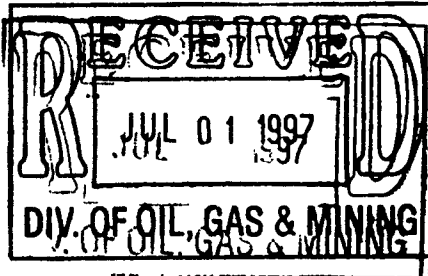
T9S, R24E, Sec. 22: NW1/4 of NW1/4	3.00
T9S, R24E, Sec. 15: SW1/4 of SW1/4	5.00
T9S, R24E, Sec. 16: SW1/4 of SE1/4	4.00
	<u>12.00</u>
Total All	33.34

ATTACHMENT B

MR FORM 5
June 10, 1996

Bond Number _____
Permit Number _____
Mine Name M/047/013
Ziegler Gilsonite Mines

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES



Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned Ziegler Chemical & Mineral Corporation, as Principal, and Frontier Insurance Company, as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) in the penal sum of One Hundred Twenty-Six Thousand, dollars (\$ 126,600.00).
Six Hundred Dollars

Principal has estimated in the Mining and Reclamation Plan approved by the Division on the 28th day of July, 1988, that 33.34 acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of this Surety Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

Bond Number
Permit Number
Mine Name M/047/013
Ziegler Gilsonite Mines

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Ziegler Chemical & Mineral Corp.
Principal (Permittee)

June 10, 1997
Date

Gordon S. Ziegler, Jr.
By (Name typed):

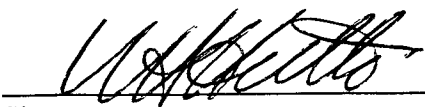
President
Title


Signature

Surety Company : FRONTIER INSURANCE COMPANY

WILLIAM H. HUTTO
Company Officer
ATTORNEY-IN-FACT
Title/Position

JUNE 18, 1997
Date


Signature

Page 3
MR-5 (revised June 10, 1996)
Attachment B

Bond Number _____
Permit Number _____
Mine Name M/047/013
Ziegler Gilsonite Mines

SO AGREED this 15th day of July, 1997.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

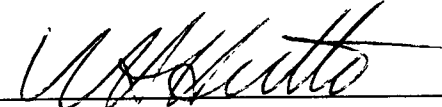


Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

AFFIDAVIT OF QUALIFICATION

On the 19TH day of MAY, 1997, personally appeared before me
WILLIAM H. HUTTO who being
by me duly sworn did say that he/she, the said WILLIAM H. HUTTO is the ATTORNEY-IN-FACT
ATTORNEY-IN-FACT of FRONTIER INSURANCE COMPANY and duly
acknowledged that said instrument was signed on behalf of said company by authority of its
bylaws or a resolution of its board of directors and said
WILLIAM H. HUTTO duly acknowledged to me that said company
executed the same, and that he/she is duly authorized to execute and deliver the foregoing
obligations; that said Surety is authorized to execute the same and has complied in all
respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking
and obligations.

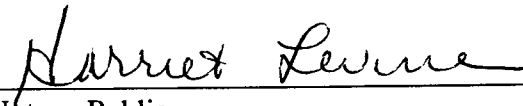
Signed: 
Surety Officer

Title: ATTORNEY-IN-FACT

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

Subscribed and sworn to before me this 18 day of June, 1997

HARRIET S. LEVINE
Notary Public, State of New York
No. 02LE5071294
Qualified in New York County
Commission Expires Jan. 6, 1999


Notary Public
Residing at: _____

My Commission Expires:

_____, 19____


CORPORATE VERIFICATIONState of New York
County of Nassau

SS.: _____

On this 10th day of June, in the year 1997

before me personally come(s) Gordon S. Ziegler, Jr. to me known, who, being by me
duly sworn, deposes and says that he resides in the City of Muttontown that he is the President
of the Ziegler Chemcall & Mineral Corp., the corporation described in and which executed the
foregoing instrument; that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal;
that it was so affixed by the order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

SIGNATURE AND TITLE OF OFFICIAL TAKING ACKNOWLEDGMENT


BRIAN LYNCH
NOTARY PUBLIC, State of New York
No. 01LY4613944
Qualified in Nassau County
Commission Expires January 31, 1998.



PRINCIPAL'S ACKNOWLEDGMENT
INDIVIDUAL VERIFICATION

State of _____ County of _____

On this _____ day of _____, in the year 19 _____, before me personally came _____ to me known, and known to me to be the person(s) who is (are) described in and who executed the foregoing instrument, and acknowledges to me that he (they) executed the same.

(Signature and title of official taking acknowledgment)

PARTNERSHIP VERIFICATION

State of _____ County of _____

On this _____ day of _____, in the year 19 _____, before me personally came _____ to me known, and known to me to be the person who is described in and who executed the foregoing instrument, and acknowledges to me that he executed the same, as and for the act and deed of the said co-partnership.

(Signature and title of official taking acknowledgment)

CORPORATE VERIFICATION

State of New York County of Nassau

On this 20 day of MAY, in the year 19 97, before me personally came William J. Hyland to me known, who, being by me duly sworn, deposes and says that he resides in the City of Valley Stream that he is the Vice President of the Ziegler Chemical Mineral Corp, the corporation described in and which executed the foregoing instrument, that he knows the seal of the said corporation; that the seal affixed to the said instrument is such corporate seal; that it was so affixed by the order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

NANCY E. CHIESA
Notary Public, State of New York
No. 4953433 Reg. in Suffolk,
Qualified in Nassau County
Commission Expires July 10, 1997

(Signature and title of official taking acknowledgment)

SURETY COMPANY ACKNOWLEDGMENT

State of NEW YORK County of NEW YORK

On this 19TH day of MAY, in the year 19 97, before me personally came WILLIAM H. HUTTO

to me known to be the individual described in and who executed the foregoing instrument and to be the Attorney-in-Fact of FRONTIER INSURANCE COMPANY, which is to me known to be the corporation described in the foregoing instrument, and which, by its said Attorney-in-Fact executed the same, and said Attorney-in-Fact duly acknowledged to me that he knows the Seal of said Corporation; that the Seal affixed to said instrument is such Corporate Seal; that it was so affixed by order of the Board of Directors of said Corporation; and that he executed the said instrument as the act and deed of said FRONTIER INSURANCE COMPANY therein described and for the uses and purposes therein mentioned, by virtue of a certain power of attorney executed by said FRONTIER INSURANCE COMPANY dated _____

FEBRUARY 24, 1997

_____, which said power has never been revoked and is still in full force and effect; and that the said corporation has received from the Superintendent of Insurance of the State of New York a certificate of solvency and of its sufficiency as surety or guarantor under Section 327, Chapter 882 of the Laws of 1939, being Chapter 28 of the Consolidated Laws of New York for the year 1939, and that such certification has not been revoked.

HARRIET S. LEVINE
Notary Public, State of New York
No. 02LE5071294
Qualified in New York County
Commission Expires Jan 6, 1999

Notary Public



POWER OF ATTORNEY

Know All Men By These Presents: That FRONTIER INSURANCE COMPANY, a New York Corporation, having its principal office in Rock Hill, New York, pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 4th day of November, 1985:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of indemnity or writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact."

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: **WILLIAM H. HUTTO**

of New York, in the State of New York, its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge and deliver in its behalf, and as its act and deed, without power of redelegation, as follows.

Bonds guaranteeing the fidelity of persons holding places of public or private trust, guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed; IN AN AMOUNT NOT TO EXCEED THREE MILLION FIVE HUNDRED THOUSAND (\$3,500,000.00) DOLLARS; and to bind FRONTIER INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of FRONTIER INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed

In Witness Whereof, FRONTIER INSURANCE COMPANY of Rock Hill, New York, has caused this Power of Attorney to be signed by its President and its Corporate seal to be affixed this 24th day of February, 1997.

FRONTIER INSURANCE COMPANY



State of New York
County of Sullivan

ss:

BY


WALTER A. RHULEN, President

On this 24th day of February, 1997, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came WALTER A. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force.

In Testimony Whereof, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.





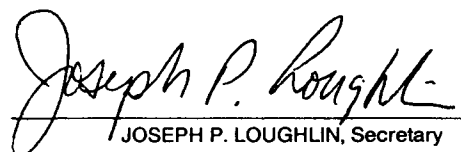
CHRISTINE I. LANE
Notary Public State of New York
Sullivan County Clerk's No. 1996
Commission Expires May 2, 1998

CERTIFICATION

I, JOSEPH P. LOUGHLIN, Secretary of FRONTIER INSURANCE COMPANY of Rock Hill, New York, do hereby certify that the foregoing Resolution adopted by the Board of Directors of this Corporation and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolution and the Powers of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the facsimile seal of the corporation this 19TH day of MAY, 1997.




JOSEPH P. LOUGHLIN, Secretary



Financial Statement as of December 31, 1995

I certify that the below listed officers were duly elected by the Board of Directors of Frontier Insurance Company and continue to hold the office set opposite their names.

OFFICERS

WALTER A. RHULEN	President	CHARLES R. SPITZER	Vice President
JOSEPH P. LOUGHLIN	Secretary	DAVID E. CAMPBELL	Vice President
DENNIS F. PLANTE	Treasurer	HARRY W. RHULEN	Vice President
PETER L. RHULEN	Vice President	JILL GOLD	Vice President
MARK H. MISHLER	Vice President	R. LINDA MARKOVITS	Vice President
JONATHAN M. FARROW	Vice President	THOMAS J. DIETZ	Vice President
DENNIS F. PLANTE	Vice President	KEVIN F. JEFFERY	Vice President

I further certify that the following Financial Statement of the Company is true, as taken from the books of the Company as of December 31, 1995:

ASSETS		LIABILITIES AND POLICYHOLDER'S SURPLUS	
Bonds	\$440,557,964	Losses	249,102,635
Preferred stocks	54,077,916	Loss adjustment expenses	36,094,726
Common stocks	29,395,688	Other expenses	4,485,698
Short-term investments	6,082,674	Reinsurance payable on paid losses	689,418
Cash on hand and on deposit	751,036	Taxes, licenses and fees	2,636,898
Premiums and agents' balances		Unearned premiums	93,299,868
in course of collection	14,071,672	Funds held by Company under	
Premiums, agents' balances and installments		Reinsurance Treaties	28,226,024
booked but deferred and not yet due	16,170,710	Amounts withheld or retained by Company	
Reinsurance recoverable on loss payments	2,561,463	for account of others	1,172,520
Electronic data processing equipment	1,415,189	Provisions for reinsurance	83,634
Aggregate write-ins for assets other than		Contingent commissions	1,037,981
invested assets	2,036,770	Aggregate Write-Ins for liabilities	5,800,457
Interest dividends and real estate		Payable to parent, subsidiaries and affiliates	1,969,615
income due and accrued	7,122,522	TOTAL LIABILITIES	\$424,599,474
Real Estate	20,838,435	Capital paid-up	5,000,000
Equities and deposits - pools		Paid-in and contributed surplus	86,824,591
and associations	66,898	Unassigned funds (surplus)	79,537,642
Federal Income Tax recoverable	812,770	Total policyholder's surplus	171,362,233
TOTAL ADMITTED ASSETS	\$595,961,707	TOTAL LIABILITIES & POLICYHOLDER'S SURPLUS	\$595,961,707

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the facsimile seal of the Company this 11th day of April, 1996.

CORPORATE SEAL



[Signature of Walter A. Rhulen]

WALTER A. RHULEN, President

STATE OF NEW YORK
COUNTY OF SULLIVAN

ss.

On this 11th day of April 1996, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came WALTER A. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, depose and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force; and that said Corporation has received from the Superintendent of Insurance of the State of New York a Certificate of Solvency and of its sufficiency as surety or guarantor under Section 1111 of the Insurance Law of the State of New York

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.

NOTARIAL SEAL



[Signature of Christine I. Lane]

CHRISTINE I. LANE
Notary Public State of New York
Sullivan County Clerk's No. 1996
Commission Expires May 2, 1998